

Message Text

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ORIGIN XMB-04

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DRAFTED BY EXIM: R J ALBRIGHT:DJG

APPROVED BY EB:PHBOEKER

EXIM: J L MOORE

EXIM: W W GLICK

EXIM: E J O'CONNOR

EB/IFD/O F;MVCREEKMORE

EUR/EE:CSCHMIDT

-----122438 200141Z /64

P 200018Z JUL 77

FM SECSTATE WASHDC

TO AMEMBASSY BELGRADE PRIORITY

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E.O. 11652: 11652/GDS

TAGS: EFIN, US, YO

SUBJECT: NATIONAL BANK GUARANTEE FOR EXIMBANK

REF: BELGRADE 4609

FOR THE AMBASSADOR

JOINT STATE/EXIM MESSAGE

1. CHAIRMAN MOORE RECONFIRMS THAT EXIM INTENTION FROM THE TIME YUGOSLAVIA RAISED THE NATIONAL BANK GUARANTEE ISSUE IN MARCH HAS BEEN TO WELCOME EXCHANGE OF SUBSTANTIVE VIEWS WHICH WOULD SEEK TO ACCOMODATE THE NEEDS OF BOTH SIDES. WE HAVE REVIEWED THE CURRENT SITUATION AND YOUR REFTEL TO DEVELOP AN APPROACH TO MAKE THIS EVEN CLEARER TO THE YUGOSLAVS AND TO MOVE AHEAD IN RESOLVING THIS ISSUE AS

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CONSTRUCTIVELY AS POSSIBLE.

2. EXIMBANK HAS BEEN PROCEEDING ON THE BASIS OF THE PERSONAL ASSURANCE FROM FINANCE MINISTER CEMOVIC THAT THE NB GUARANTEE PROCEDURE WOULD NOT BE MODIFIED PENDING THE OUTCOME OF A DIALOGUE BETWEEN EXIM AND YUGOSLAVIA. EXIM PROPOSED MEETING IN APRIL ON THE ISSUE BUT CEMOVIC HIMSELF

POSTPONED THE DISCUSSION TO SEPTEMBER. ON JULY 14 EXIM WAS
INFORMED BY THE YUGOSLAV INVESTMENT BANK THAT QUOTE

YUGOSLAV COMPETENT AUTHORITIES GAVE THE NECESSARY APPROVAL
CONCERNING THE ISSUANCE OF NB UNDERTAKING ON JUNE 30,1977
IN CONNECTION WITH CREDIT TO JAT UNQUOTE (I.E. CURRENT
APPLICATION FOR AN EXIM PC COVERING 40 MILLION DOLLAR
PURCHASE OF ONE DC-10). WE CONSIDER THE YUGOSLAV ACTION
ON THE DC-10 TO BE A GOOD-FAITH STEP. WE BELIEVE IT IS
IMPORTANT TO KEEP THE NEXT CONTACTS WITH CEMOVIC PERSONALLY
THE OBJECTIVE IS TO OBTAIN A POLITICAL SIGNAL AT THE MINIS-
TERIAL LEVELSO THAT SUBSEQUENT TECHNICAL STAFF TALKS CAN
PROCEED SHORTLY THEREAFTER.

3. ACCORDINGLY, AS NEXT STEP, WE REQUEST THAT EMBASSY MEET
WITH FINANCE MINISTER CEMOVIC PERSONALLY TO PRESENT ORALLY
THE FOLLOWING VIEWS OF CHAIRMAN MOORE. EXIM CONTINUES TO
WELCOME AN EXCHANGE OF SUBSTANTIVE VIEWS ON THE NATIONAL
BANK GUARANTEE QUESTION. IN RESPONSE TO MINISTER CEMOVIC'S
REQUEST MR. MOORE INVITES CEMOVIC TO MEET WITH HIM AT EXIM
WHEN CEMOVIC IS IN WASHINGTON FOR MEETINGS ALREADY BEING
PLANNED WITH U.S. OFFICIALS BEGINNING SEPTEMBER 21. EXIM
REGARDS THE APPROVAL FOR THE NB GUARANTEE TO BE ISSUED FOR
THE JAT DC-10 AS WELCOME EVIDENCE OF GOY DESIRE TO WORK OUT
MUTUALLY ACCEPTABLE SOLUTION TO THIS QUESTION IN A DIALOGUE
WITH EXIM. EXIM REGRETSTHAT IT WILL NOT BE ABLE TO SEND A
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TEAM TO BELGRADE FOR TALKS BEFORE THE SEPTEMBER MEETINGS
IN WASHINGTON. HOWEVER, EXIM POINTS OUT THAT A REVIEW OF
APPLICATIONS INDICATES THAT OTHER THAN ACTION ON THIS JAT
CASE EXIM NEED NOT TAKE ANY BOARD ACTION BEFORE THE SEPT-
EMBER MEETING WHICH WOULD CALL FOR NEW NB GUARANTEES, AND
THAT ABSENCE OF SUCH BOARD ACTION SHOULD NOT WORK ANY HARD-
SHIP ON YUGOSLAV OR U.S. COMPANIES.

4.FYI EXIM HAS MADE A FURTHER REVIEW WHICH RECONFIRMS ITS
BELIEF THAT WHATEVER ALTERNATIVES TO PRESENT PROCEDURES MAY
BE DEVELOPED DURING A DIALOGUE THE FULL FAITH AND CREDIT
OF THE FEDERAL GOVERNMENT ULTIMATELY SHOULD STILL STAND
BEHIND BOTH THE AVAILABILITY OF ENOUGH DINARS TO SERVICE
ANY INDEBTEDNESS TO EXIM AS WELL AS THE AVAILABILITY OF
ENOUGH DOLLARS INTO WHICH THOSE DINARS WILL BE CONVERTED.
THE NEW YUGOSLAV LEGAL SITUATION MAY REQUIRE DIFFERENT
PROCEDURES FROM THE PRESENT ONES TO ACHIEVE THIS OBJECTIVE.
MUCH WILL DEPEND UPON WHAT THE YUGOSLAVS ARE WILLING TO
PROPOSE IN VIEW OF THEIR KNOWLEDGE OF THEIR LAW. THUS, YOU
WILL NOTICE THAT EXIM CAN NOT INDICATE AT THIS TIME WHAT
POSSIBLE ALTERNATIVE PROCEDURES IT MIGHT BE ABLE TO ACCEPT,
BUT IT WANTS TO WORK OUT SOMETHING MUTUALLY SATISFACTORY.

END FYI. VANCE

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